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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 31 March 2011 in relation to the sale by Spring Orchard (a wholly-owned subsidiary of the Company) of a 60.5% equity interest in Mercato to GCPF. Since the date of this sale, Mercato has been owned as to 39.5% by Spring Orchard and 60.5% by GCPF. Mercato is the indirect owner of the Property, which is currently being operated as a hotel known as “Twenty One Whitfield”.

The Board is pleased to announce that on 26 November 2014, Spring Orchard and GCPF entered into the Provisional Agreement to sell their respective 39.5% and 60.5% equity interests in Mercato to the Purchaser. The Purchaser is an Independent Third Party of the Company.

As more than one of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Disposal exceed 5% but do not exceed 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 March 2011 in relation to the sale by Spring Orchard (a wholly-owned subsidiary of the Company) of a 60.5% equity interest in Mercato to GCPF. Since the date of this sale, Mercato has been owned as to 39.5% by Spring Orchard and 60.5% by GCPF. Mercato is the indirect owner of the Property, which is currently being operated as a hotel known as “Twenty One Whitfield”.

The Board is pleased to announce that on 26 November 2014, Spring Orchard and GCPF entered into the Provisional Agreement to sell their respective 39.5% and 60.5% equity interests in Mercato to the Purchaser.

PROVISIONAL AGREEMENT

Date: 26 November 2014

Parties:

Vendors: Spring Orchard Limited, a wholly-owned subsidiary of the Company

GCPF Cayman Holding 9 Corp., an investment holding company and a wholly-owned subsidiary of a real estate fund

Purchaser: Leader Foresight Ltd.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of GCPF and the Purchaser and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the Provisional Agreement, each of the Vendors agreed to sell the Sale Shares held by it, and assign the benefit of the Sale Loan, to the Purchaser for a total consideration of HK\$395,000,000 less the Mortgaged Loan and subject to adjustments (the "**Purchase Price**"). GCPF and Spring Orchard shall receive 60.5% and 39.5% of the Purchase Price respectively so as to reflect their respective equity interests in Mercato. The Sale Shares represent the entire issued share capital of Mercato. Mercato owns the entire issued share capital of PIL, which in turn owns the Property. The Property is currently being operated as a hotel known as "Twenty One Whitfield".

Purchase price, payment terms and repayment of Mortgaged Loan

The Purchase Price shall be HK\$395,000,000 less the Mortgaged Loan, of which an amount which is equal to the Sale Loan outstanding at Completion shall be the purchase price of the Sale Loan, and the balance shall be the purchase price of the Sale Shares, which shall be adjusted by:

- (1) adding thereto an amount equal to the value of all the assets of the Mercato Group comprising items such as "accounts and other receivables", "prepaid expenses and deposits" and "cash and cash equivalents" as at Completion (for adjustment purpose, excluding the value of the Property, "plant and equipment" and "deferred tax asset" as shown in the accounts of PIL and any accumulated tax loss); and

- (2) deducting therefrom an amount equal to the value of all liabilities of the Mercato Group as at Completion (for adjustment purposes, excluding the Sale Loan, either the Mortgaged Loan or Repayment Amount (as defined below) (whichever is applicable), inter-company liabilities within the Mercato Group and any deferred tax liabilities arising from revaluation of the Property).

The Purchase Price shall be paid by the Purchaser to the Vendors in the following manner:

- (a) a deposit of HK\$39,500,000 which has been agreed by the parties to be equivalent to US\$5,092,437.41 (the “**Deposit**”) has been paid to the Vendors’ solicitors upon the signing of the Provisional Agreement; and
- (b) the balance of the Purchase Price (subject to adjustments as set out above) shall be paid in two parts as follows:
- (i) on the working day immediately before the Completion Date, a sum of HK\$10,000,000 (being the escrow money) shall be paid in HK\$ or US\$ equivalent amount to the Vendors’ solicitors or a third party professional escrow agent to be agreed between the Vendors and the Purchaser; and
- (ii) on the working day immediately before the Completion Date, the US\$ equivalent amount of the remaining balance of the Purchase Price shall be paid to GCPF and Spring Orchard respectively at the ratio of 60.5 to 39.5.

The Deposit constituting part payment of the Purchase Price shall be held by the Vendors’ solicitors as stakeholders which shall be released by the Vendors’ solicitors to the Vendors upon expiry of the Due Diligence Period unless the Purchaser shall have exercised its right of rescission pursuant to the Provisional Agreement.

The Purchase Price was determined after arm’s length negotiation between the Parties with reference to, among other things, the value of the Property. The Directors consider that the Purchase Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

In addition, on the Completion Date, the Purchaser shall pay a sum equivalent to the Mortgaged Loan (the “**Repayment Amount**”) to the Lender.

The Vendors and the Purchaser shall use their respective best endeavours to agree on the provisional adjustment of the Purchase Price provided for above no later than 3 working days prior to Completion, failing which the Parties shall still complete the Disposal based on the provisional adjustment shown in the draft proforma completion account prepared by the Vendors to be delivered to the Purchaser no later than 10 working days prior to Completion, and any final adjustment shall be dealt with after Completion.

The Purchaser shall produce to the Vendors a final set of completion accounts within 1 month after Completion. The Parties shall agree on any final adjustment to the balance of Purchase Price paid on Completion within 14 days after the Vendors have received the final set of completion accounts, failing which the Vendors and the Purchaser shall jointly appoint an auditor's firm to determine such adjustments based on Hong Kong Financial Reporting Standards, who shall act as an expert and not as an arbitrator and whose decision shall be final and binding on all parties. Any excess of balance of payment paid by the Purchaser pursuant to paragraph (b) above shall be forthwith returned to the Purchaser without interest; and any shortfall of the said balance of payment shall be paid forthwith by the Purchaser to the Vendors without interest and in any event within 5 working days after the date of the Parties' agreement on any final adjustment to the balance of the Purchase Price or the date of issuance of the determination by the auditor's firm jointly appointed by the Vendors and the Purchaser.

If the Purchaser fails to complete the Disposal (other than due to the default of the Vendors), the Deposit shall be forfeited to the Vendors (or if the Deposit has not yet been released by the Vendors' solicitors, be released by the Vendors' solicitors to the Vendors which shall be forfeited to the Vendors) but without prejudice to any other rights and remedies of the Vendors. GCPF and Spring Orchard shall share the forfeited Deposit at the ratio of 60.5 to 39.5, respectively.

If the Vendors fail to complete the Disposal (other than due to the default of the Purchaser), then the Vendors' solicitors or the Vendors (whichever is applicable) shall return the Deposit to the Purchaser within 3 working days upon receipt of a written demand to the Vendor's solicitors or the Vendors (whichever is applicable), but without prejudice to any other right and remedies of the Purchaser.

Conditions precedent

Completion of the Disposal is conditional upon the Vendors having shown to the Purchaser's satisfaction that:

- (i) the Vendors have good title to the Sale Shares;
- (ii) the Sale Loan is due and owing from Mercato to the Vendors;
- (iii) the entire issued share capital of Mercato is legally and beneficially owned by the Vendors free from all encumbrances;
- (iv) the entire issued share capital of PIL is legally and beneficially owned by Mercato;

- (v) PIL is the sole registered and beneficial owner of the Property, subject only to the existing securities in respect of the Property (the “**Existing Securities**”) executed in favour of the Lender, which shall be discharged or released upon Completion; and
- (vi) PIL can show and give a good title to the Property in accordance with Section 13 and Section 13A of the Conveyancing and Property Ordinance (Chapter 219, of the Laws of Hong Kong) save and except the Existing Securities; and in respect of the Existing Securities, the Vendors can provide satisfactory evidence to the Purchaser to confirm that the Existing Securities will be discharged or released by the Lender upon repayment of the Mortgaged Loan.

The Vendors shall use their best endeavours to procure the fulfillment of the above conditions on or before Completion. The Purchaser may in its discretion waive any of the above conditions.

Formal Agreement in respect of the Disposal

A formal agreement for the Disposal (the “**Formal Agreement**”) embodying the terms of the Provisional Agreement shall be executed by the Parties on or before the expiration of the Due Diligence Period. The Formal Agreement shall incorporate, among others, representations and warranties in respect of the Property, the business affairs and financial position of each of Mercato and PIL, the beneficial ownership of each of Mercato and PIL, an assignment of Sale Loan and such other terms and conditions as might be expected in a sale and purchase of the kind contemplated by the Provisional Agreement and mutually agreed by Parties of equal negotiating strength.

The Provisional Agreement shall constitute legally binding obligations of the Parties unless and until and to the extent superseded by the Formal Agreement.

Due Diligence and termination

The Vendors shall deliver to or allow the Purchaser or its professional advisers to have access to certain documents and information pursuant to the Provisional Agreement for the purpose of due diligence investigations on the affairs of the Mercato Group, the Property and the title to the Property for the Due Diligence Period.

In the event that the Purchaser (acting reasonably) is not satisfied with the results of its due diligence (subject to certain conditions), the Purchaser shall have the option to terminate the Provisional Agreement by notice in writing to the Vendors’ solicitors at any time on or before the last day of the Due Diligence Period, otherwise the

Purchaser shall be deemed to be satisfied with the results of the due diligence investigations. In the event of such termination, the Vendors shall procure the Vendors' solicitors to, refund the Deposit to the Purchaser within 3 days from the date of receipt of such notice but without any interest cost or compensation.

Completion

Completion shall take place on or before the Completion Date.

FINANCIAL INFORMATION OF THE MERCATO GROUP

A summary of the unaudited consolidated financial information of the Mercato Group prepared in accordance with Hong Kong Financial Reporting Standards is as follows:

Net profit before taxation and extraordinary items for the year ended 31 December 2012 <i>HK\$ million</i> (<i>unaudited</i>)	Net profit after taxation and extraordinary items for the year ended 31 December 2012 <i>HK\$ million</i> (<i>unaudited</i>)	Net profit before taxation and extraordinary items for the year ended 31 December 2013 <i>HK\$ million</i> (<i>unaudited</i>)	Net profit after taxation and extraordinary items for the year ended 31 December 2013 <i>HK\$ million</i> (<i>unaudited</i>)
12.28	12.28	97.34	97.34

According to the unaudited consolidated financial statements of the Mercato Group, the net asset value of the Mercato Group as at 30 September 2014 was approximately HK\$223,864,000. According to the unaudited financial statements of Mercato, the net asset value of Mercato as at 30 September 2014 was approximately HK\$78,633,000.

DOCUMENTS ENTERED INTO IN CONNECTION WITH THE DISPOSAL

(a) HOTEL LICENCE TRANSFER DOCUMENTS

To facilitate the transfer of the Hotel Licence from 21 Co to PIL (or to such person(s) as the Purchaser may designate) upon Completion, relevant transfer documents in relation to such transfer of the Hotel Licence will be executed by 21 Co at Completion.

(b) INDEMNITY

The Purchaser, PIL and 21 Co will, upon Completion, enter into an indemnity (in the form to be reasonably agreed by the Parties) (the “**Indemnity**”) pursuant to which, among others, the Purchaser and PIL will indemnify 21 Co against loss suffered by 21 Co arising from the enjoyment of the Hotel Licence by the Purchaser, PIL or its nominees during the 3 month transition period after the Completion Date pending the transfer of the Hotel Licence, and 21 Co will indemnify the Purchaser and PIL against loss suffered by the Purchaser or PIL arising from a breach of 21 Co’s covenants under the Indemnity to, among others, not carry out any operation affecting the Property.

(c) TERMINATION AGREEMENT OF THE HMA

At Completion, a termination agreement of the HMA will be entered into between PIL and 21 Co confirming the termination of the HMA with effect from the Completion Date and that 21 Co has no claims whatsoever against PIL under the HMA or otherwise following termination of the HMA.

(d) INTELLECTUAL PROPERTY TRANSFER DOCUMENTS

The Vendors shall procure PIL and/or 21 Co to assign or otherwise transfer the intellectual property rights, including domain name, etc. in relation to the operation, management and marketing of the business conducted at the Property (if any) by signing such required documents in favour of the Purchaser or its nominee upon Completion.

(e) ASSIGNMENT OF SALE LOAN

An assignment of the Sale Loan will be entered into between the Vendors and the Purchaser on the Completion Date, pursuant to which the Vendors will transfer the Sale Loan to the Purchaser and/or its nominee, free from all encumbrances.

USE OF PROCEEDS

It is expected that the Group will record a gain of approximately HK\$1,200,000 on completion of the Disposal. Such gain is calculated by reference to the unaudited consolidated financial statements of the Mercato Group for the nine months ended 30 September 2014.

The Group currently intends to use the net proceeds from the Disposal for general working capital purposes.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In view of the present property market in Hong Kong, the Directors consider that the Disposal provides a good opportunity for the Group to realize its interest in the Property which will bring profits and enhance the liquidity of the Group.

The Directors consider that the Disposal is on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION OF THE COMPANY, THE VENDORS AND THE PURCHASER

Information of the Company

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development, property investment and hotel operation.

Information of Spring Orchard

Spring Orchard, a wholly-owned subsidiary of the Company, is an investment holding company incorporated in the British Virgin Islands.

INFORMATION OF GCPF

GCPF is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of a real estate fund.

Information of the Purchaser

The Purchaser is an investment holding company incorporated in the British Virgin Islands and an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As more than one of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Disposal exceed 5% but do not exceed 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, the following definitions apply unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, these defined terms are not included in the table below:

“21 Co”	Twenty-One Whitfield Management Limited, a company incorporated under the laws of Hong Kong and which is engaged by PIL as the hotel operator of the Property
“Board”	the board of directors of the Company
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Disposal as contemplated under the Provisional Agreement
“Completion Date”	10 March 2015 or such other date as the Parties may agree
“Disposal”	the sale of the Sale Shares and the assignment of the benefit of the Sale Loan by the Vendors to the Purchaser
“Due Diligence Period”	the period commencing from the second working day immediately after the signing of the Provisional Agreement until 1:00p.m. on 30 December 2014 (both days inclusive)
“Directors”	the directors of the Company
“GCPF”	GCPF Cayman Holding 9 Corp., an exempted company incorporated in the Cayman Islands which is an investment holding limited and a wholly-owned subsidiary of a real estate fund and an Independent Third Party
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HMA”	the existing hotel management agreement dated 24 May 2012 signed between PIL and 21 Co in respect of the Property
“Hotel Licence”	the existing hotel licence of the Property in the name of 21 Co
“Independent Third Party”	a person who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Lender”	Industrial and Commercial Bank of China (Asia) Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mercato”	Mercato Group Limited, a company incorporated in the British Virgin Islands and currently owned as to 39.5% and 60.5% by Spring Orchard and GCPF respectively
“Mercato Group”	collectively, Mercato and PIL
“Mortgaged Loan”	the loan owing by PIL to the Lender which shall in no event be more than HK\$180,000,000 and upon the repayment of which the Existing Securities shall be discharged or released by the Lender
“Parties”	the parties to the Provisional Agreement
“PIL”	Panteria International Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of Mercato, and the legal and beneficial owner of the Property

“Property”	all those pieces or parcels of ground respectively registered at the Land Registry as THE REMAINING PORTION OF INLAND LOT NO.3309 and THE REMAINING PORTION OF INLAND LOT NO.3310 together with the messuages erections and buildings erected thereon situate at No.21 Whitfield Road, Hong Kong
“Provisional Agreement”	the provisional agreement in respect of the Disposal dated 26 November 2014 and entered into between the Vendors and the Purchaser in respect of the Disposal
“Purchaser”	Leader Foresight Ltd., a company incorporated in the British Virgin Islands
“Sale Shares”	collectively, the 605 ordinary shares of US\$1.00 each in Mercato legally and beneficially owned by GCPF and the 395 ordinary shares of US\$1.00 each in Mercato legally and beneficially owned by Spring Orchard, which together represent the entire issued and paid up share capital of Mercato
“Sale Loan”	the loans owing by Mercato to the Vendors as at Completion, (which sum is in the total sum of approximately HK\$19,600,000 as at 31 October 2014, out of which, HK\$11,858,000 was owed to GCPF and the balance of HK\$7,742,000 was owed to Spring Orchard), being an unsecured and interest free debt owed by Mercato to the Vendors with no fixed repayment date
“Shareholders”	the shareholders of the Company
“Spring Orchard”	Spring Orchard Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, GCPF and Spring Orchard

“working day”

a day on which banks are open for business in Hong Kong, British Virgin Islands, Cayman Islands, Singapore and New York other than (a) a general holiday as defined in the General Holidays Ordinance (Cap 149); (b) a Saturday and (c) any day on which typhoon signal No.8 or above is hoisted or the black rainstorm warning signal is issued during the period from 9:00 a.m. to 5:00 p.m. on any weekday in Hong Kong

“%”

per cent

By Order of the Board
National Electronics Holdings Limited
Lee Yuen Ching Jimmy
Chairman

Hong Kong, 26 November 2014

As at the date of this announcement, the executive Directors are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the non-executive Director is Ms. Lee Yuen Yu, Dorathy and the independent non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.